

Buying Foreclosures and Bank Owned Properties.

Is buying a bank owned property really the deal of a life time? Each state and/or county has their own criteria for the way they handle foreclosures, the information below is a guide to the process. **Please contact me if you would like more information about Blaine county foreclosures.**

Real Estate Owned vs. Foreclosure

An REO (Real Estate Owned) is a property that goes back to the mortgage company after an unsuccessful foreclosure auction. Most foreclosure auctions do not even result in bids. If there was enough equity in the property to satisfy the loan in the first place, the owner would have probably sold the property and paid off the bank. That is why the property ends up at a foreclosure or trustee sale.

Foreclosure sales begin with a minimum bid that includes the loan balance, accrued interest, plus attorney's fees and any costs associated with the foreclosure process. In order to bid at a foreclosure auction, you must have a cashier's check in your hand for the full amount of your bid. If you are the successful bidder, you receive the property in "as is" condition, which may include someone still living in the property. There may also be other liens against the property.

Since what is owed to the bank is almost always more than what the property is worth, very few foreclosure auctions result in a successful sale. Then the property "reverts" to the bank and becomes a real estate owned property.

Real Estate Owned Properties for Sale

The bank now owns the property and the mortgage loan no longer exists. At this point the bank will handle the eviction, if necessary, and may do some repairs. They will negotiate with the IRS for removal of tax liens and pay off any homeowner's association dues. As a purchaser of an REO property, the buyer will receive a title insurance policy and the opportunity to investigate the property.

A bank owned property might not be a great bargain. Do your homework before making an offer. Make sure that the price you pay is comparable to other homes in the neighborhood. Don't forget the cost of any needed renovation, including time to complete them. Don't get caught up in a 'bidding war' and pay over market value.

How Banks Sell REO's

The Bank will want to get the best price possible and will generally not sell at a loss. Once you make an offer to purchase, banks normally present a "counter-offer." It may be at a higher price than you expect, but they have to demonstrate to investors and shareholders that they attempted to get the highest price possible. Sending in an offer to the counter-offer is not unheard of and will have to be reviewed and approved by several

individuals. If the offer is accepted, the bank may insert wording like “..Subject to corporate approval within 5 days.”

Banks will want to sell a property in "as is" condition. They will allow you to get all the inspections you want (at your expense), but they may not agree to do any repairs. Your offer should include an inspection contingency period that allows you to terminate the sale if the inspections reveal damages that the bank will not correct.

Most banks will not provide financing on their REO's but it doesn't hurt to ask. Especially if the property has extensive damage and you are purchasing it "as is."

Making an Offer

Since there is no face-to-face presentation to the bank, provide the listing agent with a pre-approval letter and buyer biography. Make your offer easy to accept. This is where your Real Estate agent can be of great help. Bank owned properties usually sell at pretty close to full market value and may not be as good of an investment as they are made out to be.

To receive a list of Blaine county Foreclosures please contact me by phone or e-mail.